

REMARKS

Claims 10-12, 16, 34 and 43 have been amended. Claims 1-9, 15 and 27-33 have been canceled. Support for the amended claims can be found throughout the specification as originally filed. Upon entry of the amendment, claims 10-14, 16-26 and 34-51 will be pending.

Section 103 Rejections

In the Office Action, claims 1-25 and 33-51 stand rejected under 35 U.S.C. § 103(a) as being obvious in view of a proposed combination of published U.S. patent application Pub. No. 2006/0218069 to Aberman et al and published U.S. patent application Pub. No. 2002/0138382 to Seaman. Applicants traverse the rejections as follows.¹

Claim 10 is directed to a method for issuing a financial unit that comprises a fixed income security and a separable forward purchase contract. The forward purchase contract obligates the issuer of the unit to pay a purchaser of the unit a forward purchase contract payment at issuance of the unit and further obligates the issuer to periodically pay forward purchase contract adjustment payments to the purchaser after issuance of the unit and prior to settlement of the forward purchase contract. The cited references do not teach or suggest either of these features of amended claim 10.

Aberman involves a real estate investment trust ("REIT") that issues shares of preferred stock, which can have an associated forward purchase contract or a warrant. *See* Aberman at Abstract. However, as admitted by the Examiner, "Aberman et al. do not teach paying at issuance, by an issuer of the unit, a forward purchase contract payment to the purchaser of the unit." *See* Office Action at pg. 6 (emphasis in original).

¹ As mentioned above, claims 1-9 have been canceled.

Seaman also does not teach this feature of claim 10. Instead, Seaman merely discloses that an exchangeable security may be purchased by an investor for a discounted price. *See* Seaman at ¶ [0011]. The Office, however, contends that the “exchangeable securities offered at discount for exchange with underlying securities is equivalent to issuer paying purchaser at issuance of the unit.” *See* Office Action at p.6. In responding to the Applicants’ prior arguments, the Office states that:

Seaman teaches a special kind of prepaid forward contract (see abstract and paragraph [0010]) where forward contract involves exchange of exchangeable securities. The exchangeable security is offered at discount, which is equivalent to issuer paying forward contract payment at the issuance. At a later time at maturity date or before maturity, the exchangeable security is exchanged for a share of the underlying security plus an agreed additional payment, if any (see Fig. 3, steps 302-308), paragraphs [011-013]).

See Office Action at pgs. 12-13. Thus, the Office concludes that claim 10 would have been obvious.

The Office’s logic is flawed for at least four reasons.

First, the Office has misread Seaman in stating that “[a]t a later time at maturity date or before maturity, the exchangeable security is exchanged for a share of the underlying security plus an agreed additional payment.” *See* Office Action at pgs. 12-13. Seaman clearly states that the additional payment is provided at the maturity date of the exchangeable security, not at maturity or before maturity as asserted by the Office. Paragraph 11 of Seaman states in relevant part:

An exchangeable security is offered at the discount price, and at a later time, the exchangeable security is exchanged for a share of the underlying security or basket of securities. The exchange may occur at maturity, or before maturity. An additional payment may be calculated at the time the exchangeable security is offered, with the additional payment provided at maturity of the exchangeable security.

See Seaman at ¶[0011] (emphasis added). Clearly Seaman teaches the additional payment being paid at the maturity date of the exchangeable security, not “paying at issuance, by the issuer of the unit, a forward purchase contract payment to the purchaser of the unit,” as recited in amended claim 10.

Second, a discounted security is not the equivalent of a forward contract payment because the forward contract payment, in the context of the unit of claim 10, results in entirely different tax consequences. As explained in ¶ [0013] of the present application, for a given transaction price for the unit, the principal amount of the fixed income security (one of the components of the claimed unit) may be relatively higher when coupled with the forward purchase contract payment. See also ¶¶ [0022]-[0026] of the present application (further explaining the tax advantages). As a result, the periodic interest payments on the fixed income security after issuance will be greater, meaning that greater tax deductions may be realized for the issuer (as interest paid on fixed income securities is generally tax deductible under current U.S. tax law). This increases the absolute amount of the tax deductions available to the issuer and the relative proportion of total payment made by the issuer that are tax deductible.

Third, if a person of ordinary skill in the art combined the teachings of Aberman and Seaman, the result would be a discounted price for Aberman’s units – not a forward purchase contract payment paid by the issuer. The combination of Aberman and Seaman, therefore, would not lead a person having ordinary skill in the art ineluctably to the unit of claim 10, where the issuer makes a forward purchase contract payment at issuance. Rather, the person of ordinary skill, based on Aberman and Seaman, would merely have been motivated to reduce (or discount) the price of the unit of claim 10. This would not result in the tax advantages address in the point above.

Fourth, neither Aberman nor Seaman teach or suggest the step of “after issuance of the unit and prior to settlement of the forward purchase contract, paying periodically by the issuer forward purchase contract adjustment payments to the purchaser,” as now recited in amended claim 10. This feature was previously recited in now amended claim 12. The Office rejected claim 12 citing paragraphs [0053] and [0031] of Aberman. Paragraph [0053] of Aberman details an example of the REIT of Aberman that issues shares of preferred stock and has an associated forward purchase contract. Paragraph [0031] of Aberman provides a definition of a conventional forward contract. As recited in Aberman at paragraph [0031]:

Forward contract – A “forward contract” is a contract in which a party promises to pay something of value at some future time. A typical forward contract used in connection with the invention is a contract obligating the holder of the contract to purchase, and obligates the entity to sell on a particular date, for a specified price, a number of newly issued common stock of the entity according to a formula. The formula may be fixed at the outset or may vary over the life of the security.

Aberman at ¶[0031]. Aberman discloses a standard, or conventional, forward contract and does not disclose “after issuance of the unit and prior to settlement of the forward purchase contract, paying periodically by the issuer forward purchase contract adjustment payments to the purchaser.” There are no forward purchase contract adjustment payments disclosed in paragraphs [0031] or [0053] of Aberman, and Seaman does not cure the defects of Aberman. Therefore, claim 10 is not rendered obvious in view of Aberman and Seaman.

Therefore, applicants submit that claim 10 and its dependent claims are not obvious are not obvious in view of the cited references. Furthermore, applicants submit that independent claims 34 and 43, and their respective dependent claims, are not obvious in view of the cited reference for analogous reasons.

CONCLUSION

Applicants respectfully submit that all of the claims presented in the present application are in condition for allowance. Applicants' present Response should not in any way be taken as acquiescence to any of the specific assertions, statements, etc., presented in the Office Action not explicitly addressed herein. Applicants reserve the right to specifically address all such assertions and statements in subsequent responses. Applicants also reserve the right to seek claims of a broader or different scope in a continuation application.

Applicants have made a diligent effort to properly respond to the Office Action and believe that the claims are in condition for allowance. If the Examiner has any remaining concerns, the Examiner is invited to contact the undersigned at the telephone number set forth below so that such concerns may be expeditiously addressed.

Respectfully submitted,



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